

**CALIFORNIA ENERGY COMMISSION**

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Sacramento, California 95814

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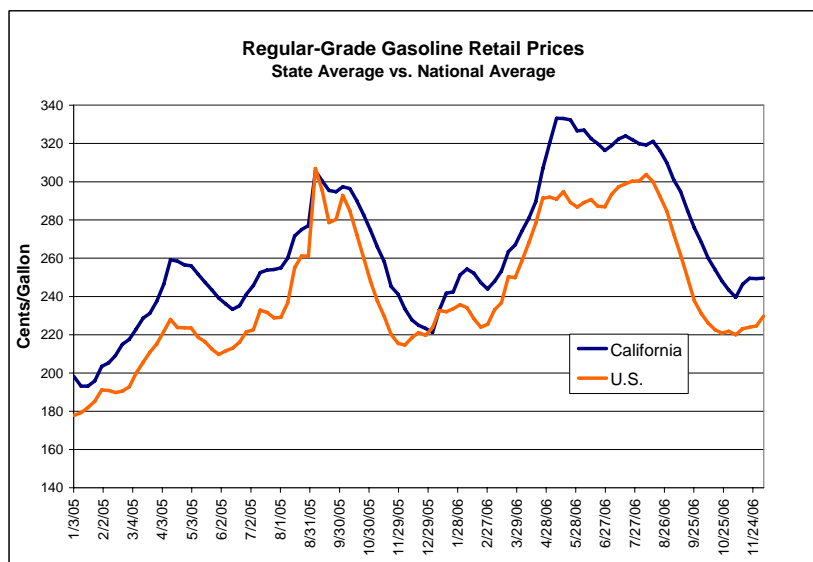
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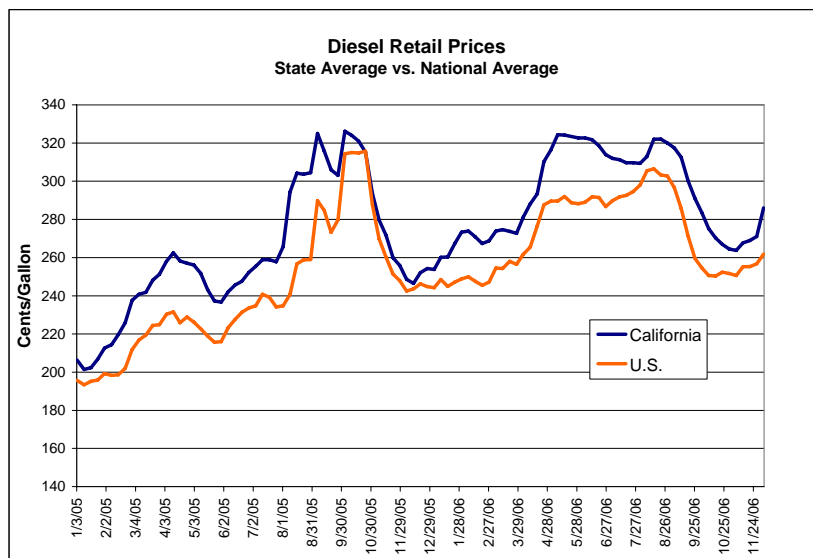
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**Petroleum Watch****December 8, 2006*****Retail Gasoline and Diesel Prices on December 4***

- California gasoline prices have stayed relatively constant over the last three weeks. The average statewide **retail price for regular-grade gasoline** gradually increased by 4 cents from November 13 to \$2.50 per gallon.<sup>i</sup>
- The difference between California and U.S. retail gasoline prices increased to 26 cents per gallon on November 20, but ended by declining to 20 cents per gallon. The U.S. prices rose to \$2.30 per gallon, 7 cents more than on November 13.



- The average California **retail diesel price** increased 18 cents to \$2.86 per gallon in three weeks, largely due to a 15 cent jump this last week. At the same time, the U.S. retail diesel price rose only 7 cents to \$2.62 per gallon, increasing the difference between California and U.S. prices to 24 cents per gallon.

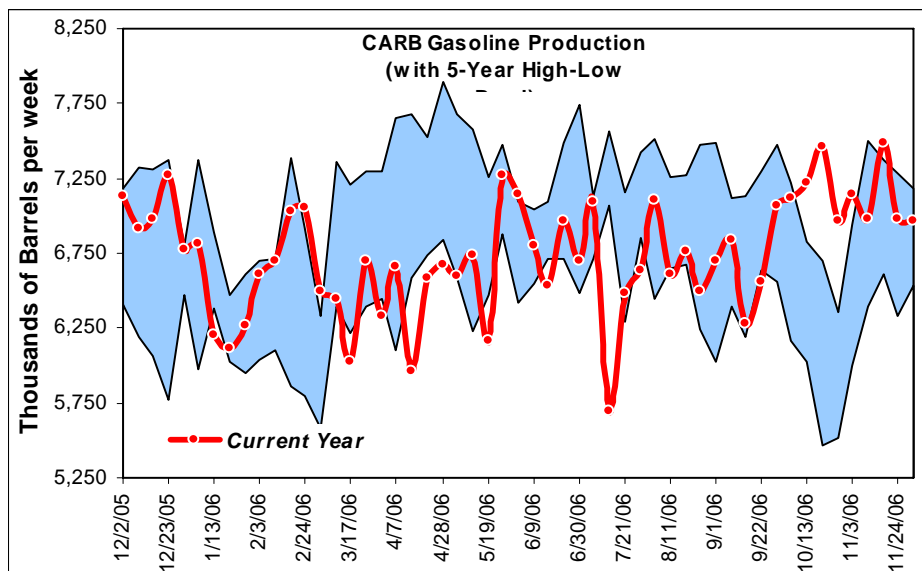


### ***Wholesale Gasoline and Diesel Prices on December 5***

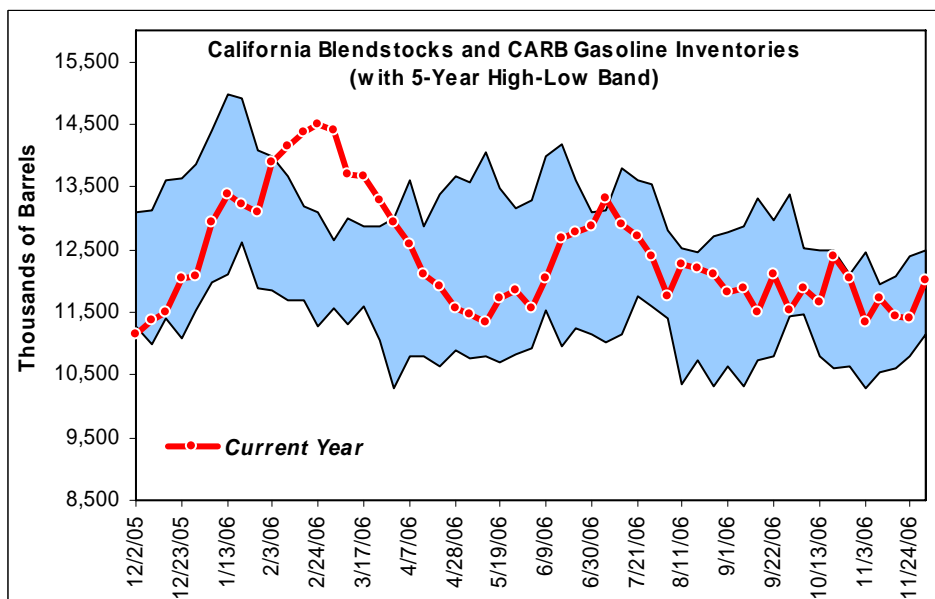
- After peaking at \$1.88 on November 21, California spot **wholesale gasoline prices** for regular-grade reformulated blendstock for oxygenate blending (RBOB) ended up declining a penny from three weeks ago to \$1.77 per gallon.
- Although crude oil prices have been higher over the last few weeks, gasoline production in California has remained relatively strong, while inventories have rebounded during the last week, keeping prices at moderate levels.
- Spot prices for RBOB in Los Angeles are 12 cents higher than New York Harbor and 18 cents more than the Gulf Coast, down from 23 cents and 24 cents higher, respectively, on November 14.
- California spot **wholesale ultra low-sulfur diesel prices** increased 32 cents over the past three weeks to \$2.15 per gallon as inventories have declined due to planned maintenance and unplanned outages affecting several diesel producing refinery units.
- California wholesale ultra low-sulfur diesel prices are 26 cents per gallon more than New York Harbor and 32 cents more than the Gulf Coast, compared to 13 cents and 15 cents more, respectively, on November 14.
- California gasoline ended this reporting week at 38 cents less than California diesel, compared to 5 cents less on November 14.
- The Energy Information Administration (EIA) weekly assessment for December 1 reports that **U.S. gasoline demand** increased 4.0 percent from November 10, while distillate demand decreased 7.1 percent. The four-week average demand for gasoline is 9.26 million barrels per day, 1 percent more than last year's four-week average. The four-week average for U.S. distillate demand is 4.33 million barrels per day, 7.1 percent more than last year.

## Refinery Production and Inventories

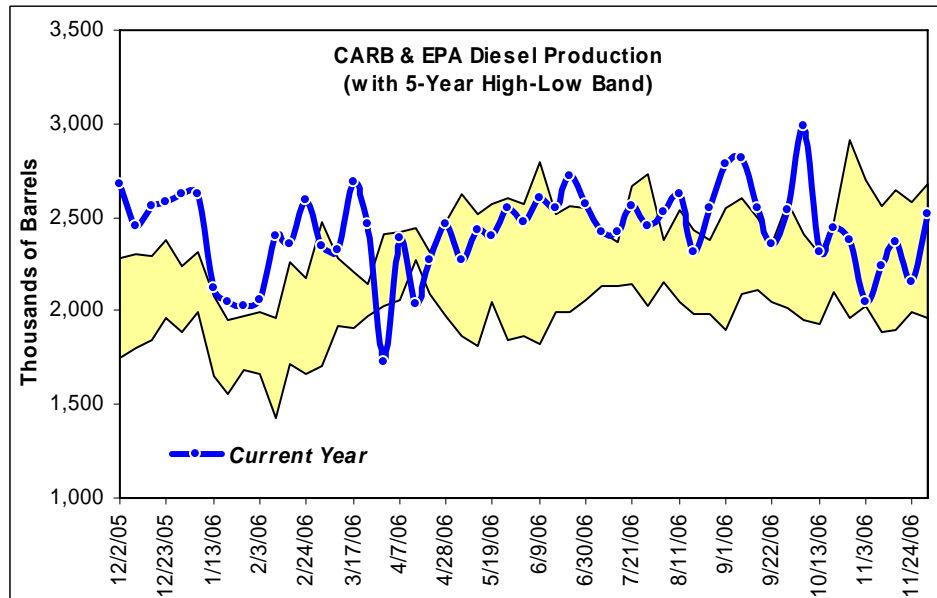
- **Reformulated gasoline production** in California for the week ending December 1 decreased 0.2 percent from the previous week to 6.96 million barrels. Production levels remained in the middle of the five-year range.<sup>ii</sup>



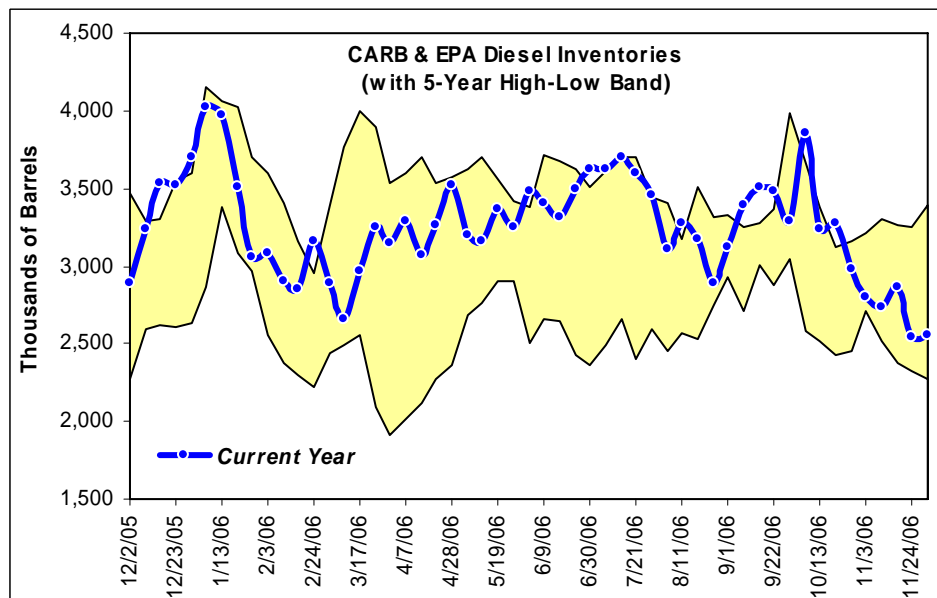
- California reformulated gasoline inventories increased by 0.1 percent and gasoline blendstock inventories rose by 9.6 percent during the last week. As a result, **combined inventories** of reformulated gasoline and gasoline blendstocks in the state **increased by 5.1 percent** to 12 million barrels, rising toward the upper end of the five-year range.



- U.S. gasoline inventories dropped by 1.03 million barrels this week to 200 million barrels as of December 1. Inventories fell sharply on the East Coast and declined slightly on the West Coast and Gulf Coast.
- California **ultra low-sulfur diesel production** during the week ending December 1, including both California diesel and U.S. Environmental Protection Agency (EPA) diesel, jumped 16.8 percent from the previous week to 2.52 million barrels and rose near the top of the five-year range. However, output is still 6.1 percent less than year-ago levels.

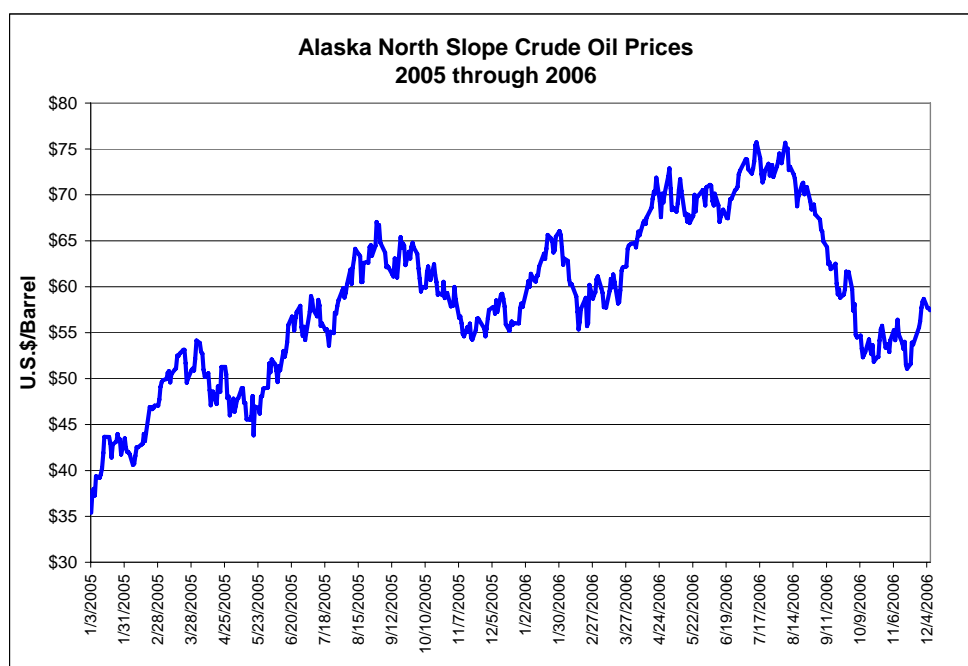


- Combined **ultra low-sulfur diesel inventories** in California rose by 0.6 percent from the previous week to 2.56 million barrels but remain near the bottom of the five-year range. Total U.S. distillate inventories as of December 1 dropped to 132.4 million barrels, 459,000 barrels less than the previous week. Inventories declined on the East Coast and West Coast but increased slightly on the Gulf Coast.



## Crude Oil Prices and Inventories

- West Coast prices for Alaska North Slope (ANS) crude oil, an important refinery feedstock for California, dipped to their lowest levels since June 2005 at \$51.06 per barrel on November 17. Growing inventories, forecasts for a warm winter, and market skepticism about OPEC's ability to realize their announced production cuts all contributed to the price drop. Since then, prices have been steadily recovering. Temporary loading delays caused by storm winds at Valdez, Alaska, an unplanned outage of syncrude production at a Fort McMurray, Canada, facility and a deadly oil worker rescue operation in Nigeria pushed ANS prices up to \$53.69 by November 22. Following the Thanksgiving holiday, ANS oil prices continued rising, reaching \$58.68 by December 1 as cold weather spread over much of the United States, an insurgent attack cut production at Kirkuk, Iraq, and the U.S. dollar weakened against other currencies. The price of ANS oil settled back to \$57.44 as of December 6.<sup>iii</sup>
- OPEC ministers are scheduled to meet on December 14 and will discuss the possibility of further output cuts in response to very high levels of consumer inventories and concerns about growing non-OPEC production, in particular from Russia. In other news, OPEC may soon be recruiting new members, with Angola preparing a request to join and Ecuador and Sudan also considering becoming members. Ecuador was formerly an OPEC member country until 1992 and is a very important source of crude oil for California.



- U.S. commercial crude oil inventories as of December 1 fell by 1 million barrels to 336 million barrels. Stocks are 19.4 million barrels higher than last year and 40.3 million higher than the five-year average. California refinery crude oil stocks fell 11.1 percent from the previous week to 13.62 million barrels.

<sup>i</sup> Spot wholesale and retail gasoline and diesel prices and U.S. crude oil and product inventory estimates are from the Energy Information Administration of the U.S. Department of Energy.

<sup>ii</sup> California refinery production and inventory information is from the Petroleum Industry Information Reporting Act (PIIRA) database maintained by the California Energy Commission.

<sup>iii</sup> ANS crude oil prices are from *The Wall Street Journal*.